

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

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| In the Matter of |) | |
| |) | |
| Federal-State Joint Board on |) | CC Docket No. 96-45 |
| Universal Service |) | |
| |) | |

**SPRINT CORPORATION'S REPLY TO AT&T'S OPPOSITION
TO PETITION FOR RECONSIDERATION**

On December 8, 2000, the Common Carrier Bureau (the "Bureau") released its Order under DA 00-2729 (the "Order"), updating line count input values for the non-rural carriers' high cost support mechanism. On January 26, 2001, Sprint Corporation ("Sprint"), on behalf of its local and long distance divisions, filed its Petition for Reconsideration of the Order ("Petition"). On February 27, 2001, AT&T Corp. ("AT&T") filed its Opposition to the Petition (the "Opposition"). Sprint hereby files its Reply to the Opposition and requests the Bureau or the Commission to reject the Opposition and grant the Petition.

AT&T's argument in the Opposition can be summarized in one sentence as follows:

- Using out-of-date customer location data and road data will cause the Commission's Synthesis Model (the "Model") to underestimate costs, but because the Model [purportedly] overestimates costs in two other ways, the Commission shouldn't bother to use accurate data.

In other words, AT&T believes that three wrongs make a right. Sprint will respond to this argument by demonstrating that (i) the Commission has never agreed with AT&T's complaint that the Model has flaws that significantly overstate plant costs and thus per line costs; (ii) even if AT&T's complaint regarding the Model's flaws is correct (a) no evidence was, or could be, presented

which mathematically shows that maintaining inaccurate customer location and road data would actually increase the Model's accuracy, and (b) the purported flaws would not exist in a number of wire centers where there are few or no surrogate points, so there would be no point in allowing inaccurate location and road data to persist in those wire centers; (iii) updating the customer location and road data would actually alleviate AT&T's alleged concerns by increasing the accuracy of the data; (iv) the Bell South model cannot be accurately compared to the Synthesis Model; and (v) AT&T made no attempt to challenge the three main concerns raised by Sprint in the Petition.

As a preliminary matter, AT&T first points out that the initial purpose of updating line counts was to address a mismatch that existed in the data used to calculate universal service support.¹ Put simply, the line counts that were used by the Synthesis model to *calculate* cost and per-line support were different from the line counts used to *apply* that support to an area or a carrier. Clearly, it is desirable to use the most accurate line count data (and therefore, presumably, the *same* line count data) in both cases. The same reasoning should apply to support the principle that it is also desirable to use the most accurate road and location data as well. Incredibly, AT&T then argues that because “the problems with the customer location and road data are extremely complex” they cannot be fixed by simply updating the data.² In effect, AT&T feels the Commission would be wise to use data that is known to be outdated and inaccurate, because that is one way of addressing perceived flaws in the Model’s cost estimates.

In attempting to defend its position and describe these alleged flaws, AT&T reiterates its much-repeated argument that the use of surrogate points, distributed on census block boundaries, artificially increases the dispersion of customers and thereby exaggerates the cost of outside plant. As noted above, the Commission has never embraced or expressed support for this argument

¹ Opposition at 2.

² Id.

despite the numerous times it has been presented.³ Furthermore, in the overwhelming majority of filings, AT&T has historically been the sole advocate of this argument.⁴

Even if AT&T's "three wrongs make a right" argument was well-founded, supported, and accepted, AT&T has put forth no measure of one "bias" against the other, no yardstick by which to measure the purported overstatement of costs against the understatement attributable to the data mismatch. The Opposition merely states, without evidence, that the effects of the alleged problems are "likely to outweigh" the effects of using outdated location and road data.

Further, even if AT&T could support its claims in the aggregate (which they cannot), they are not supportable at a more detailed level. In the Model, many wire centers contain no (or relatively few) surrogate points. As a result, this purported dispersion problem does not exist for those wire centers. Would AT&T suggest that the locations and road data in these wire centers not be updated even though there is no "offsetting" bias? Since final support is distributed on a wire center basis, the costs of individual wire centers are vitally important for allocation of federal dollars. Is AT&T content to let certain wire centers receive less than their fair share of the Federal high-cost fund because of a mismatch between data sets that is known and correctable?

Ironically, and most importantly, in opposing the Petition AT&T opposes a solution that would actually alleviate its perceived concerns about the Model. By updating location data and road data, the Commission can take advantage of significant improvements that have been made in geocoding over the past few years.⁵ This will actually *reduce* the number of surrogate locations and *increase* the number of actual locations used by the model in its pre-processing. This solution directly and properly addresses AT&T's misguided concerns regarding these points, as opposed to AT&T's

³ For example, see Order at ¶13; CC Docket No. 96-45 *Federal State Joint Board on Universal Service*, Tenth Report and Order, FCC 99-304 (released November 2, 1999) ("Tenth USF Order") at ¶¶45-46.

⁴ In many filings, AT&T's position was jointly sponsored by MCI/WorldCom.

⁵ Sprint Petition at 4-5.

solution, which simply (and improperly) attempts to compensate by permitting a real wrong to be "offset" by two perceived wrongs. In the final paragraph of its Opposition, AT&T prompts the Commission to "only consider updating the customer location data" when it also addresses these (purported) dispersion problems.⁶ It is somewhat surprising that AT&T fails to understand that updating the location data *is* the proper means by which these alleged dispersion problems may be addressed.

Next, AT&T also attempts to defend its position by citing results of a comparison made between the estimated route miles produced by Bell South's loop model and the Synthesis Model.⁷ AT&T claims that Bell South's model uses a larger percentage of actual customer locations than the Synthesis Model, and produces a shorter route distance. This, AT&T claims, is evidence that the Synthesis Model overstates outside plant and therefore the Commission's use of flawed location and road data is justified.

AT&T fails to mention that similar comparisons have been made at the state level. For example, in Florida, Bell South presented testimony explaining that the manner in which the Bell South model calculates and reports route distance is fundamentally different from the way route distance is calculated and reported in other models.⁸ For example, if a ten-mile route is shared between feeder and distribution, the Bell South model will count this as *neither* feeder nor distribution, whereas the Synthesis Model would count the distance as *both* feeder and distribution. Due to such differences, the comparison referenced by AT&T is a classic case of comparing apples to oranges, and provides no support for its claim.

⁶ Opposition at 4.

⁷ *Id.* at 3-4.

⁸ See FPSC Docket #990649-TP, Rebuttal testimony of James Stegeman of *CostQuest, Associates*, on behalf of Bell South, filed August 21, 2000. Although the comparison made at (*continued*) the time was between Bell South's loop model and the HAI and BCPM Models, it is applicable to the Synthesis Model as well.

Further, AT&T specifically fails to address the three primary concerns expressed in the Petition. The first concern was that the Bureau erred when it claimed that the model already builds outside plant to new locations if they fall along the existing road network. AT&T provided no argument or data to counter Sprint's analysis demonstrating that the Synthesis model does *not*, in fact, build outside plant to new locations simply because they are "along the road network used to create surrogate locations."⁹

The second concern raised in the Petition was that the Bureau simply ignored the issue of new locations along new roads (roads that either did not exist in 1996 or were excluded from the 1996 data set used by the model). Again, AT&T provided no discussion or analysis to argue against Sprint's figures and maps showing significant growth in road miles; road miles which house customer locations and to which the Model currently builds exactly zero (0) outside plant.

The third concern was that the Bureau has overlooked the fact that road and location data actually play a larger part in determining costs than line count data. Again, AT&T fails to offer argument or analysis to counter this fact. Rather, it simply claims that Sprint "misses the point,"¹⁰ and then proceeds with the "three wrongs make a right" argument. In response, Sprint would like to remind both the Commission and AT&T of the voluminous quantity of *ex parte* presentations, workshops, discussions, state proceedings, etc. dealing with customer locations that have examined the proxy model process since its beginning.¹¹ These examinations confirm that road and location data are significantly more important than line counts in determining loop costs.

Finally, as a net payer into the federal USF high-cost fund, Sprint takes exception to (and questions the logic of) AT&T's characterization of the Petition as simply an attempt by Sprint to

⁹ Sprint Petition at 3.

¹⁰ Opposition at 1.

¹¹ Paragraphs 33-62 of the Tenth USF Order give a clear indication of the extent of (and emphasis on) the discussion surrounding customer locations in proxy models. By comparison,

overstate carrier's costs. Simple logic would dictate that any net payer, such as Sprint or AT&T, all else held equal, would benefit from the model underestimating costs, not overestimating them. As stated in the Petition, Sprint's primary interest is in seeing that the Model is used properly and as it was intended to be used. As an active participant in the Model development process, Sprint can say unequivocally that the Model was intended to be run using the most accurate, up-to-date data available. There is no question that increasing line counts while holding locations constant causes more lines to be spread over the same number of locations, thereby lowering the cost per line. That fact is beyond dispute. AT&T suggests that somehow this bias is justified because, in conjunction with other purported problems, it produces a cost that AT&T mistakenly feels is closer to accurate.

Respectfully submitted,

By //s//
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the issue of line counts is contained in a mere five paragraphs of the same order (¶¶ 51, 53, 56, 60-61).

CERTIFICATE OF SERVICE

I, Joyce Walker, hereby certify that I have on the 14th day of March 2001, served via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "Sprint Corporation's Petition for Reconsideration" in the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, filed on March 14, 2001 with the Secretary, Federal Communications Commission, to the persons listed below.

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